

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION



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DATE: December 22, 2009

TO: Interested Parties

FROM: Lucy Richards, Director's Office 

RE: Otter Creek: December 21 Land Board Meeting Results

At the Land Board meeting on December 21, 2009, the Land Board took additional public comment on the proposed Otter Creek coal mining leases on the fourteen state land parcels located in the Otter Creek area southeast of Ashland in Powder River County, which contain an estimated 572.3 million tons of coal. The board passed the following motion, which directed the DNRC:

- to use the amended version of the proposed lease form (Agenda Item No. 1209-10):
 - to set a minimum bonus bid amount of 25 cents per ton; and
 - to set a 45 day limit on the bid process, to allow the bids to be reviewed at the February 2010 Land Board meeting; and
- that funding from the bonus bid must be used to support and benefit Montana K-12 schools.

Following the board's direction, DNRC will be soliciting bids on a cash bonus basis of 25 cents per ton for the issuance of coal leases. All bids are subject to the approval of the Land Board, which reserves the right to reject any and all bids. The bid package will be advertised, as required by [ARM 36.25.304\(6\)\(a\)](#). All bids must be **received** by the Helena DNRC Minerals Management Bureau by 5:00 p.m. on February 8, 2010. Any bids received will be presented to the board at the February 16, 2010, Land Board meeting.

Major provisions of the lease include:

- a minimum acceptable bonus bid of \$143,075,000 (\$0.25 per ton); a term of ten years, plus the years thereafter as long as coal is produced in commercial quantities;
- a royalty of 12.5% of the f.o.b. mine price of the coal prepared for shipment, including production and value-based taxes (this is subject to readjustment as provided in ¶8 of the lease);
- lessee must commit to a work program on the Otter Creek Area coal tracts (as specified in ¶28.(A) of the lease); and
- lessee must consult with the Northern Cheyenne Tribe and develop written operating plans (as specified in ¶28.(B) of the lease).

A copy of the draft lease is available on the Land Board website. Please contact Monte Mason for more information on the lease or the bid package, or Lucy Richards for information pertaining to the Land Board.

Land Board Website: http://dnrc.mt.gov/About_Us/meetings.asp#lb